

Dubai Financial Market P.J.S.C (DFM)

**Review report and condensed consolidated
interim financial information for the
six month period ended 30 June 2017**

Dubai Financial Market P.J.S.C. (DFM)

Review report and condensed consolidated interim financial information for the six month period ended 30 June 2017

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Review report on condensed consolidated interim financial information

To the Board of Directors of
Dubai Financial Market P.J.S.C. (DFM)
Dubai, U.A.E.

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of Dubai Financial Market (DFM) P.J.S.C. (the 'Company') and its subsidiaries (together referred to as "the Group") as at 30 June 2017, the related condensed consolidated interim statement of income and comprehensive income for the three-month and six-month periods then ended, the condensed consolidated interim statement of changes in equity and cash flows for the six-month period then ended and other explanatory notes. Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard 34, "Interim Financial Reporting ("IAS 34")". Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information is not prepared, in all material respects, in accordance with IAS 34.

PricewaterhouseCoopers
24 July 2017

Mohamed Elborn
Registered Auditor Number 946
Dubai, United Arab Emirates

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Dubai Financial Market P.J.S.C. (DFM)

Condensed consolidated interim statement of financial position as at 30 June 2017

	Note	As at 30 June 2017 AED'000 (Un-audited)	As at 31 December 2016 AED'000 (Audited)
ASSETS			
Non-current assets			
Goodwill	6	2,878,874	2,878,874
Other intangible assets	6	2,231,321	2,259,565
Property and equipment		263,794	262,545
Other financial assets measured at fair value through other comprehensive income (FVTOCI)	7	848,946	836,648
Investment at amortised cost	8	94,730	-
Investment deposits	9	294,314	294,997
Total non-current assets		6,611,979	6,532,629
Current assets			
Prepaid expenses and other receivables	11	59,150	42,273
Investment deposits	9	2,285,148	1,905,148
Cash and cash equivalents	12	602,094	370,843
Total current assets		2,946,392	2,318,264
Total assets		9,558,371	8,850,893
EQUITY AND LIABILITIES			
EQUITY			
Share capital	13	8,000,000	8,000,000
Treasury shares		(4,364)	(4,364)
		7,995,636	7,995,636
Investment revaluation reserve - FVTOCI	14	(714,615)	(738,272)
Statutory reserve	14	406,377	406,377
Retained earnings		355,188	237,902
Equity attributable to owners of the Company		8,042,586	7,901,643
Non-controlling interest		18,824	18,499
Net equity		8,061,410	7,920,142
LIABILITIES			
Non-current liabilities			
Subordinated loan	10	26,025	25,456
Provision for employees' end of service indemnity		17,171	16,066
Total non-current liabilities		43,196	41,522
Current liabilities			
Payables and accrued expenses	15	1,093,632	522,546
Dividends payable		353,008	358,262
Due to related parties	10	7,125	8,421
Total current liabilities		1,453,765	889,229
Total liabilities		1,496,961	930,751
Total equity and liabilities		9,558,371	8,850,893

Chairman

The accompanying notes on pages 7 to 21 form an integral part of this condensed consolidated interim financial information.

Dubai Financial Market P.J.S.C. (DFM)

Condensed consolidated interim statement of income (Un-audited) for the six month period ended 30 June 2017

	Note	<u>3 months period ended</u> <u>30 June</u>		<u>6 months period ended</u> <u>30 June</u>	
		<u>2017</u> <u>AED'000</u>	<u>2016</u> <u>AED'000</u>	<u>2017</u> <u>AED'000</u>	<u>2016</u> <u>AED'000</u>
Revenues					
Trading commission fees		49,380	63,984	154,368	153,768
Brokerage fees		5,125	5,087	10,248	10,392
Clearing settlement and depository fee		6,194	7,180	16,551	17,480
Listing and market data fee		2,305	2,249	5,144	4,530
Other fees		3,034	2,785	4,157	3,162
Operating income		<u>66,038</u>	<u>81,285</u>	<u>190,468</u>	<u>189,332</u>
Investment income		26,130	21,069	53,722	42,561
Fair value gain on gifted land	18	-	-	-	231,306
Total income		<u>92,168</u>	<u>102,354</u>	<u>244,190</u>	<u>463,199</u>
Expenses					
General and administrative expenses		(34,526)	(32,957)	(69,455)	(65,539)
Amortisation of intangible assets		(14,122)	(15,591)	(28,244)	(31,182)
Interest expense	10	(288)	(275)	(569)	(547)
Operating expenses		<u>(48,936)</u>	<u>(48,823)</u>	<u>(98,268)</u>	<u>(97,268)</u>
Provision for impairment against investment deposit		-	-	-	(226,000)
Net profit for the period		<u>43,232</u>	<u>53,531</u>	<u>145,922</u>	<u>139,931</u>
Attributable to:					
Owners of the Company		43,256	53,544	145,597	139,602
Non-controlling interest		(24)	(13)	325	329
		<u>43,232</u>	<u>53,531</u>	<u>145,922</u>	<u>139,931</u>
Basic/Diluted Earnings per share - AED	16	<u>0.005</u>	<u>0.007</u>	<u>0.018</u>	<u>0.017</u>

The accompanying notes on pages 7 to 21 form an integral part of this condensed consolidated interim financial information.

Dubai Financial Market P.J.S.C. (DFM)

Condensed consolidated interim statement of comprehensive income (Un-audited) for the six month period ended 30 June 2017

	<u>3 months period ended</u>		<u>6 months period ended</u>	
	<u>30 June</u>		<u>30 June</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
	<u>AED'000</u>	<u>AED'000</u>	<u>AED'000</u>	<u>AED'000</u>
Net profit for the period	43,232	53,531	145,922	139,931
<i>Items that will not be re-classified to the condensed consolidated interim income statement</i>				
Fair value changes on financial assets measured at fair value through other comprehensive income (FVTOCI)	<u>2,247</u>	<u>(33,771)</u>	<u>23,657</u>	<u>(28,503)</u>
Total comprehensive income for the period	<u>45,479</u>	<u>19,760</u>	<u>169,579</u>	<u>111,428</u>
Attributable to:				
Owners of the Company	<u>45,503</u>	19,773	<u>169,254</u>	111,099
Non-controlling interest	<u>(24)</u>	<u>(13)</u>	<u>325</u>	<u>329</u>
Total comprehensive income for the period	<u>45,479</u>	<u>19,760</u>	<u>169,579</u>	<u>111,428</u>

The accompanying notes on pages 7 to 21 form an integral part of this condensed consolidated interim financial information.

Dubai Financial Market P.J.S.C. (DFM)

Condensed consolidated interim statement of changes in equity (Un-audited) for the six month period ended 30 June 2017

	Share capital AED'000	Treasury shares AED'000	Investments revaluation reserve FV/TOCI AED'000	Statutory reserve AED'000	Retained earnings AED'000	Attributable to owners of the company AED'000	Non- controlling interest AED'000	Total AED'000
As at 1 January 2016	8,000,000	(4,364)	(780,437)	381,027	431,787	8,028,013	18,176	8,046,189
Net profit for the period	-	-	-	-	139,602	139,602	329	139,931
Other comprehensive income for the period	-	-	(28,503)	-	-	(28,503)	-	(28,503)
Total comprehensive income for the period	-	-	(28,503)	-	139,602	111,099	329	111,428
Appropriation of non-sharia compliant income (Note 20)	-	-	-	-	(15,648)	(15,648)	-	(15,648)
Dividends approved, net of appropriation of non-sharia compliant income (Note 13)	-	-	-	-	(384,140)	(384,140)	-	(384,140)
Realised loss on disposal of investments	-	-	22,220	-	(22,220)	-	-	-
Zakat	-	-	-	-	(18)	(18)	-	(18)
As at 30 June 2016	8,000,000	(4,364)	(786,720)	381,027	149,363	7,739,306	18,505	7,757,811
As at 1 January 2017	8,000,000	(4,364)	(738,272)	406,377	237,902	7,901,643	18,499	7,920,142
Net profit for the period	-	-	-	-	145,597	145,597	325	145,922
Other comprehensive income for the period	-	-	23,657	-	-	23,657	-	23,657
Total comprehensive income for the period	-	-	23,657	-	145,597	169,254	325	169,579
Appropriation of non-sharia compliant income (Note 20)	-	-	-	-	(28,281)	(28,281)	-	(28,281)
Zakat	-	-	-	-	(30)	(30)	-	(30)
As at 30 June 2017	8,000,000	(4,364)	(714,615)	406,377	355,188	8,042,586	18,824	8,061,410

The accompanying notes on pages 7 to 21 form an integral part of this condensed consolidated interim financial information.

Dubai Financial Market P.J.S.C. (DFM)

Condensed consolidated interim statement of cash flows (Un-audited) for the six month period ended 30 June 2017

	Note	Six month period ended 30 June	
		2017 AED'000	2016 AED'000
Cash flows from operating activities			
Net profit for the period		145,922	139,931
Adjustments for:			
Depreciation of property and equipment		5,102	3,377
Provision for employees' end of service indemnity		1,231	1,097
Amortisation of intangible assets	6	28,244	31,182
Fair value gain on gifted land		-	(231,306)
Provision for impairment		-	226,000
Interest expense	10	569	547
Income on investment deposits		(41,153)	(31,483)
Dividend income		(12,569)	(11,078)
Operating cash flows before changes in operating assets and liabilities		127,346	128,267
(Decrease)/Increase in prepaid expenses and other receivables		(14,469)	517
Movement in due from/to a related party		(1,296)	1,660
Increase in payables and accrued expenses		542,775	117,053
Cash generated from operations		654,356	247,497
Employees' end of service indemnity paid		(126)	(210)
Net cash generated from operating activities		654,230	247,287
Cash flows from investing activities			
Purchase of property and equipment		(6,351)	(11,617)
Net investment deposits		(380,000)	152,750
Redemption / sale of investments		12,042	4,250
Investment deposit income received		38,745	21,516
Investment in sukuk		(94,730)	(119,235)
Dividend received		12,569	11,078
Net cash (used in)/generated from investing activities		(417,725)	58,742
Cash flows from financing activities			
Dividends paid to shareholders	13	(5,254)	(67,109)
Distribution of non-sharia compliant income to shareholders	13,20	-	(15,648)
Net cash used in financing activities		(5,254)	(82,757)
Net increase in cash and cash equivalents		231,251	223,272
Cash and cash equivalents at the beginning of the period		370,843	261,002
Cash and cash equivalents at the end of the period	12	602,094	484,274

The accompanying notes on pages 7 to 21 form an integral part of this condensed consolidated interim financial information.

Dubai Financial Market P.J.S.C. (DFM)

Notes to the condensed consolidated interim financial information for the six month period ended 30 June 2017

1 Establishment and operations

Dubai Financial Market (DFM) - PJSC (the "Company") is a public joint stock company incorporated in the Emirate of Dubai – United Arab Emirates, pursuant to decree No. 62 for the year 2007 issued by the Ministry of Economy on February 6, 2007, and is subject to the provisions of the U.A.E. Federal law No. 2 of 2015 ("Companies law").

The licensed activities of the Company are trading in financial instruments, acting as commercial, industrial and agricultural holding and trust company, financial investment consultancy, and brokerage local and foreign shares and bonds. In accordance with its Articles of Association, the Company complies in all its activities, operations and formalities with the provisions of Islamic Shari'a and shall invest its entire fund in accordance with these provisions.

The Company's shares are listed on the Dubai Financial Market ("DFM").

The Company currently operates the Dubai stock exchange, related clearing house and carries out investment activities on its own behalf.

The registered address of the Company is Dubai World Trade Center, Sheikh Zayed Road, P.O. Box 9700, Dubai, United Arab Emirates.

The ultimate parent and controlling party is the Government of Dubai which owns 79.63 % of DFM through Borse Dubai Limited (the "parent"), a Government of Dubai entity.

The condensed consolidated interim financial information incorporate the financial information of Dubai Financial Market (DFM) - PJSC and its subsidiaries (together the "Group"). Details of the subsidiaries are as follows:

<u>Company name</u>	<u>Activity</u>	<u>Country of incorporation</u>	<u>Ownership held</u>
Nasdaq Dubai Limited* Financial Market	Electronic	U.A.E.	67%

Nasdaq Dubai Limited has the following subsidiary:

<u>Company name</u>	<u>Activity</u>	<u>Country of incorporation</u>	<u>Ownership held</u>
Nasdaq Dubai Guardian Limited	Bare nominee solely on behalf of Nasdaq Dubai Limited	U.A.E.	100%

* The remaining 33 % is held by Borse Dubai Limited (Note 17).

Dubai Financial Market P.J.S.C. (DFM)

Notes to the condensed consolidated interim financial information for the six month period ended 30 June 2017 (continued)

2 Summary of significant accounting policies

2.1 Basis of preparation

This condensed consolidated interim financial information has been prepared in accordance with International Accounting Standard (IAS) No. 34: Interim Financial Reporting.

This condensed consolidated interim financial information does not include all the information required for full annual financial statements and should be read in conjunction with the Group's consolidated financial statements as at and for the year ended 31 December 2016. In addition, results for the six months period ended 30 June 2017 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2017.

The same accounting policies, presentation and methods of computation have been followed in the condensed consolidated interim financial information as were applied in the preparation of the Group's financial statements for the year ended 31 December 2016.

This condensed consolidated interim financial information has been prepared on the historical cost basis, except for the revaluation of certain financial instruments at FVTOCI.

The condensed consolidated interim financial information is prepared and presented in United Arab Emirates Dirham (AED) which is the Group's functional and presentation currency and are rounded off to the nearest thousands ("000") unless otherwise indicated.

UAE Federal Law No. 2 of 2015 (Companies Law) which is applicable to the Group has come into effect from 1 July 2015. The Group has assessed and evaluated the provisions of the Companies Law and has ensured its compliance.

2.2 New and revised IFRSs effective for accounting periods beginning 1 January 2017

(a) New and amended standards adopted by the Group

Standards and amendments to published standards effective for the Group's accounting period beginning on 1 January 2017

Amendments to IAS 7, 'Statement of cash flows on disclosure initiative'

These amendments to IAS 7 introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities including those from cash flows and other non-cash changes. The new requirement typically entails a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities

Dubai Financial Market P.J.S.C. (DFM)

Notes to the condensed consolidated interim financial information for the six month period ended 30 June 2017 (continued)

2 Summary of significant accounting policies (continued)

2.2 New and revised IFRSs effective for accounting periods beginning 1 January 2017 (continued)

(a) New and amended standards adopted by the Group (continued)

Standards and amendments to published standards effective for the Group's accounting period beginning on 1 January 2017 (continued)

There is no material impact of the above amendments on condensed consolidated interim financial information of the Group.

There are no other IFRSs or IFRIC interpretations that were effective for the first time for the financial year beginning on 01 January 2017 that have had a material impact on the Group's condensed consolidated interim financial information.

(b) New and amended standards not early adopted by the Group

Standards, amendments and interpretations issued but not yet effective for the Group's accounting period beginning on 1 January 2017 and not early adopted

IFRS 16 'Leases' (Effective date 1 January 2019)

This standard replaces IAS 17 "Leases", IFRIC 4 "Determining whether arrangement contains a lease", Standard Interpretations Committee ("SIC") 15 "Operating leases – Incentives" and SIC 27 "Evaluating substance of transactions involving legal form of a lease". The standard specifies recognition, measurement, presentation and disclosure related to leases. The core principle of IFRS 16 is to provide a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. The standard was issued in January 2016 and effective for accounting periods beginning on or after 1 January 2019.

IFRS 15, 'Revenue from contracts with customers' (Effective date 1 January 2018)

This standard replaces IAS 11, 'Construction contracts', IAS 18, 'Revenue' and related interpretations. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use of and obtain the benefits from the good or service. The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. IFRS 15 also includes a cohesive set of disclosure requirements that will result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

Dubai Financial Market P.J.S.C. (DFM)

Notes to the condensed consolidated interim financial information for the six month period ended 30 June 2017 (continued)

2 Summary of significant accounting policies (continued)

2.2 New and revised IFRSs effective for accounting periods beginning 1 January 2017 (continued)

(b) New and amended standards not early adopted by the Group (continued)

Standards, amendments and interpretations issued but not yet effective for the Group's accounting period beginning on 1 January 2017 and not early adopted (continued)

IFRS 9 'Financial Instruments' (Effective date 1 January 2018)

The complete version of IFRS 9 replaces most of the guidance in IAS 39. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI.

There is now a new expected credit loss model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value, through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually uses for risk management purposes.

Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. Earlier application is permitted. If an entity elects to early apply it must apply all of the requirements at the same time with the following exception: Entities with a date of initial application before 1 February 2015 continue to have the option to apply the standard in phases. The Group has early adopted the November 2009 classification and measurement version of IFRS 9. Since this adoption was before 1 February 2015, the Group is not required to early adopt the phases pertaining to impairment and hedging issued in July 2014. Accordingly, the Group continues to apply the impairment provisions of IAS 39.

The Group has plans in place for adhering to the above new standards and amendments to published standards or IFRIC interpretations issued but not yet effective for the Group's financial year beginning on 1 January 2017.

There are no other applicable new standards and amendments to published standards or IFRIC interpretations that have been issued but are not effective for the first time for the Group's financial year beginning on 1 January 2017 that would be expected to have a material impact on the condensed consolidated interim financial information of the Group.

Dubai Financial Market P.J.S.C. (DFM)

Notes to the condensed consolidated interim financial information for the six month period ended 30 June 2017 (continued)

3 Basis of consolidation

The condensed consolidated interim financial information incorporates the interim financial information of the Company and the entities controlled by the Group (its subsidiaries) (together the "Group"). The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

The results of subsidiaries acquired during the period are included in the condensed consolidated interim statement of income from the effective date of acquisition.

Where necessary, adjustments are made to the condensed consolidated interim financial statements of the subsidiaries to bring the accounting policies in line with those used by the Company. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

4 Estimates

The preparation of condensed consolidated interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgments made by management in applying the accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the consolidated financial statements as at and for the year ended 31 December 2016.

5 Financial risk management

The Group's financial risk management objectives and policies are consistent with those disclosed in the financial statements as at and for the year ended 31 December 2016.

Dubai Financial Market P.J.S.C. (DFM)

Notes to the condensed consolidated interim financial information for the six month period ended 30 June 2017 (continued)

6 Goodwill and other intangible assets

	Goodwill AED'000	License to operate as a stock exchange AED'000	Relationships with market participants (Brokers) AED'000	Total AED'000
Cost				
At 1 January 2016 and 2017	2,878,874	2,824,455	58,744	5,762,073
At 30 June 2016 and 2017	2,878,874	2,824,455	58,744	5,762,073
Accumulated amortization				
At 1 January 2017	-	564,890	58,744	623,634
Charge for the period	-	28,244	-	28,244
At 30 June 2017	-	593,134	58,744	651,878
At 1 January 2016	-	508,401	52,866	561,267
Charge for the period	-	28,244	2,938	31,182
At 30 June 2016	-	536,645	55,804	592,449
Carrying amount				
At 30 June 2017	2,878,874	2,231,321	-	5,110,195
At 30 June 2016	2,878,874	2,287,810	2,940	5,169,624
At 31 December 2016	2,878,874	2,259,565	-	5,138,439

There was no evidence of impairment of the goodwill at 30 June 2017 on the basis that the fair value of the business, based on the Company's quoted market price at 30 June 2017 was in excess of its net assets at that date. DFM as an entity is considered a single cash generating unit for impairment testing purpose.

Dubai Financial Market P.J.S.C. (DFM)

Notes to the condensed consolidated interim financial information for the six month period ended 30 June 2017 (continued)

7 Other financial assets measured at fair value through other comprehensive income (FVTOCI)

	30 June 2017 AED'000 (Un-audited)	31 December 2016 AED'000 (Audited)
Investment in equity securities	377,087	364,967
Managed funds – Note (a)	264,810	267,001
Investment in sukuk (b)	207,049	204,680
	<u>848,946</u>	<u>836,648</u>

- (a) Managed funds include funds of AED 233.72 million (31 December 2016: AED 233.86 million) managed by a shareholder of the parent (Note 10).
- (b) The investment in sukuk is a perpetual instrument, callable at the option of the issuer and measured at fair value through other comprehensive income. The sukuk carries a profit rate ranging from 6.04% to 6.75% per annum. (2017: 6.04% to 6.75%), which is payable at the discretion of the issuer.

Investments by geographic concentration are as follows:

	30 June 2017 AED'000 (Un-audited)	31 December 2016 AED'000 (Audited)
- Within U.A.E.	810,328	796,608
- Outside U.A.E.	38,618	40,040
	<u>848,946</u>	<u>836,648</u>

8 Investment at amortised cost

	30 June 2017 AED'000 (Un-audited)	31 December 2016 AED'000 (Audited)
Investment in Sukuk (a)	94,730	-
	<u>94,730</u>	<u>-</u>

- (a) Investment in sukuk in the U.A.E matures in 5-10 years and carries a fixed profit rate of 5% - 5.112% per annum.

Dubai Financial Market P.J.S.C. (DFM)

Notes to the condensed consolidated interim financial information for the six month period ended 30 June 2017 (continued)

9 Investment deposits

	30 June 2017 AED'000 (Un-audited)	31 December 2016 AED'000 (Audited)
Current:		
Investment deposits maturing in less than 3 months	520,000	510,148
Investment deposits maturing up to 1 year but more than 3 months – Note (a)	1,765,148	1,395,000
	<u>2,285,148</u>	<u>1,905,148</u>
Non-current:		
Investment deposits maturing above 1 year	294,314	294,997
	<u>2,579,462</u>	<u>2,200,145</u>

- (a) Investment deposits are placed with financial institutions in the UAE, and carry profit rates ranging 2% to 3% (31 December 2016: 2% to 3%) per annum.
- (b) Investment deposits of AED 136.73 million (31 December 2016: AED 136.73 million) have been pledged as collateral against unutilised bank overdraft facilities provided to the Group.
- (c) A specific provision of AED 226 million for impairment had been established during the year ended 31 December 2016 against an outstanding Wakala deposit of AED 271 million. There were no additional provisions taken during the period ended 30 June 2017.
- (d) Dividends received from and payable on behalf of companies listed on DFM and investor card balances amounting to AED 550 million (31 December 2016: AED 295 million) has been invested in short term deposits by the Company.

10 Related party transactions and balances

Related parties comprise companies under common ownership or management, key management, businesses controlled by shareholders and directors as well as businesses over which they exercise significant influence. During the period, the Group entered into transactions with related parties in the ordinary course of business. The transactions with related parties and balances arising from these transactions are as follows:

	Six month period ended 30 June	
Transactions during the period	2017 AED'000 (Un-audited)	2016 AED'000 (Un-audited)
Investment income	23,751	19,370
Interest expense	569	547
Mortgage fees	678	-
Dividend income	8,441	6,753
Rent – Dubai World Trade Centre	4,842	4,699

Dubai Financial Market P.J.S.C. (DFM)

Notes to the condensed consolidated interim financial information for the six month period ended 30 June 2017 (continued)

10 Related party transactions and balances (continued)

The remuneration of directors and other members of key management during the period were as follows:

	Six month period ended 30 June	
	2017 AED'000 (Un-audited)	2016 AED'000 (Un-audited)
Compensation of key management personnel		
Short-term benefits	5,043	4,766
General pension and social security	446	443
Board of Directors		
- Remuneration to the NASDAQ Dubai Board	635	491
- Remuneration to the DFM Board	1,800	1,800
- Meeting allowance for the Group	481	669

	30 June 2017 AED'000 (Un-audited)	31 December 2016 AED'000 (Audited)
Balances		
(a) <i>Other related parties</i>		
Managed funds (Note 7)	233,724	233,857
Other financial assets at FVTOCI	313,970	309,164
Investment at amortised cost	44,934	-
Cash and bank balances	150,343	108,257
Investment deposits	1,441,629	1,279,909

(b) *Due to related parties*

Parent		
Expenses paid on behalf of the Group	7,125	8,421
Subordinated loan	26,025	25,456
Dividends payable	318,500	318,500

The subordinated loan has been provided by Borse Dubai Ltd., to Nasdaq Dubai Limited through the Company (Note 1). The subordinated loan is unsecured, has no fixed repayment date and bears interest at 12 month LIBOR plus 3.25% per annum and is subordinated to the rights of all other creditors of the subsidiary.

Dubai Financial Market P.J.S.C. (DFM)

Notes to the condensed consolidated interim financial information for the six month period ended 30 June 2017 (continued)

11 Prepaid expenses and other receivables

	30 June 2017 AED'000 (Un-audited)	31 December 2016 AED'000 (Audited)
Accrued income on investment deposits	26,708	24,300
Accrued trading commission fees	1,415	4,193
Due from brokers	2,701	2,520
Prepaid expenses	11,200	7,147
Other receivables	5,909	2,616
Central counterparty balances *	11,627	1,845
	<u>59,560</u>	<u>42,621</u>
Less: allowance for doubtful debts	(410)	(348)
	<u>59,150</u>	<u>42,273</u>
Net movement in allowance for doubtful debts:		
Opening balance	348	147
Provision for the period/year	62	201
Ending balance	<u>410</u>	<u>348</u>

*These balances related to Nasdaq Dubai Limited which acts as a central counterparty for all the trades which are usually settled on T+2 basis.

12 Cash and cash equivalents

	30 June 2017 AED'000 (Un-audited)	31 December 2016 AED'000 (Audited)
Cash on hand	224	208
Bank balances:		
Current accounts	53,665	54,684
Savings accounts	2	-
Mudarabah accounts	124,984	75,137
	<u>178,875</u>	<u>130,029</u>
Investment deposits with original maturities not exceeding three months	423,219	240,814
Cash and cash equivalents	<u>602,094</u>	<u>370,843</u>

The rate of return on the saving and mudarabah accounts is 0.17% to 0.49% per annum (31 December 2016: 0.25% to 0.36% per annum).

Dividends amounting to AED 8.8 million (31 December 2016: AED 18 million) distributed by the Company on the behalf of other listed companies remain unrepresented to the Company's bank at 30 June 2017.

Dubai Financial Market P.J.S.C. (DFM)

Notes to the condensed consolidated interim financial information for the six month period ended 30 June 2017 (continued)

13 Share capital

	30 June 2017 AED'000 (Un-audited)	31 December 2016 AED'000 (Audited)
Authorised, issued and paid up share capital:		
8,000,000,000 shares (31 December 2016:		
8,000,000,000 shares) of AED 1 each (31 December		
2016: AED 1 each)	8,000,000	8,000,000

The Company did not declare any dividends for 2016. Dividends declared for 2015 were AED 399.8 million representing 5% per share, including non-sharia compliant income of AED 15.6 million.

14 Reserves

(a) Statutory reserve

In accordance with the U.A.E. Federal Commercial Companies Law No. 2 of 2015, as amended, the Group has established a statutory reserve by appropriation of 10% of the Company's net profit for each year which will be increased until the reserve equals 50% of the share capital. This reserve is not available for distribution, except as stipulated by the Law. No allocation to the statutory reserve has been made for the six month period ended 30 June 2017, as this will be affected at the year-end based on the Company's results for the year ending 31 December 2017.

(b) Investments revaluation reserve - FVTOCI

The investment revaluation reserve represents accumulated gains and losses arising on the revaluation of financial assets at fair value through other comprehensive income.

Dubai Financial Market P.J.S.C. (DFM)

Notes to the condensed consolidated interim financial information for the six month period ended 30 June 2017 (continued)

15 Payables and accrued expenses

	30 June 2017 AED'000 (Un-audited)	31 December 2016 AED'000 (Audited)
Dividends payable on behalf of companies listed on the DFM	642,254	252,169
Ivestor cards	326,792	184,466
Members' margin deposits	32,925	24,348
Accrued expenses and other payables	12,344	17,525
Central counterparty balances (Note 11)	11,627	1,845
Unearned revenue	14,770	8,969
Brokers' retention	16,615	16,638
Due to U.A.E Securities and Commodities Authority	7,119	15,711
Zakat	905	875
Non Sharia compliant income (Note 20)	28,281	-
	<u>1,093,632</u>	<u>522,546</u>

16 Earnings per share

	3 months ended 30-June		6 months ended 30-June	
	2017	2016	2017	2016
Net profit for the period attributable to owners of the Company (AED '000)	<u>43,256</u>	<u>53,544</u>	<u>145,597</u>	<u>139,602</u>
Authorised, issued and paid up share capital - (AED '000)	<u>8,000,000</u>	<u>8,000,000</u>	<u>8,000,000</u>	<u>8,000,000</u>
Less: Treasury shares ('000)	<u>(4,237)</u>	<u>(4,237)</u>	<u>(4,237)</u>	<u>(4,237)</u>
	<u>7,995,763</u>	<u>7,995,763</u>	<u>7,995,763</u>	<u>7,995,763</u>
Earnings per share – AED	<u>0.005</u>	<u>0.007</u>	<u>0.018</u>	<u>0.017</u>

17 Commitments

	30 June 2017 AED'000 (Un-audited)	31 December 2016 AED'000 (Audited)
Commitments for the purchase of property and equipment	<u>7,227</u>	<u>1,219</u>

The Company also has a commitment of AED 148 million to acquire the remaining 33% of Nasdaq Dubai Limited which is required to be settled on the completion of the acquisition on a date to be mutually agreed with Borse Dubai Limited.

Dubai Financial Market P.J.S.C. (DFM)

Notes to the condensed consolidated interim financial information for the six month period ended 30 June 2017 (continued)

18 Fair value gain on gifted land

During 2016, the Company received freehold land in the Business Bay area from Dubai Properties Group (DPG), free of cost. This will be used for the purpose of construction of its new office premises. Based on the valuation certificate issued by the Dubai Land Department, the value of gifted land at the date of receipt was AED 231.3 million, which has been recognised in the statement of income in the six month period ended 30 June 2016.

19 Segment reporting

Following the management approach to IFRS 8, operating segments are reported in accordance with the internal reporting provided to the Board of Directors (the chief operating decision-maker), which is responsible for allocating resources to the reportable segments and assesses its performance. The Group is managed as one unit and therefore the Board of Directors are of the opinion that the Group is engaged in a single segment of operating a stock exchange and related clearing house.

20 Non Sharia compliant income

Non Sharia compliant income of AED 28.3 million relating to 2016 (2016: AED 15.6 million relating to 2015) as approved by the Company's Sharia and Fatwa Supervisory Board, has been appropriated from retained earnings during the period ended 30 June 2017 and will be distributed by the Group to its shareholders towards disbursement by the shareholders for charitable purposes. Based on the ruling of the Sharia and Fatwa Supervisory Board, it is the sole responsibility of the individual shareholders to donate their respective shares of this amount for charitable purposes.

21 Fair value of financial instruments

The Group's financial assets and financial liabilities comprise of cash and bank balances, investment deposits, receivables and payables whose maturity is short term. Long term investment deposits carry market rates of return. Consequently their fair value approximates the carrying value stated in the condensed consolidated interim statement of financial position.

The Group has classified fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The fair value of financial instruments traded in active markets is based on quoted market prices at the consolidated statement of financial position date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. These instruments are included in level 1. Instruments included in level 1 comprise primarily quoted equity investments classified as fair value through other comprehensive income.

Dubai Financial Market P.J.S.C. (DFM)

Notes to the condensed consolidated interim financial information for the six month period ended 30 June 2017 (continued)

21 Fair value of financial instruments (continued)

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. These investments comprise funds the fair values of which are based on the net asset value provided by the fund managers.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. Level 3 assets represent unquoted equity and mutual fund investments whose fair value is determined based on varying unobservable assumptions which depend on a broad range of macroeconomic factors. The carrying values of these investments are adjusted as follows:

- Managed funds - based on the net asset value derived from the EBITDA/PE multiple or value per share provided by the fund managers.
- Unquoted equity investments and other financial instruments - using the latest available net book value and market approach based on prevailing secondary market prices of similar instruments.

There were no changes in valuation techniques during the period.

The following table presents the Group's assets and liabilities that are measured at fair value at 30 June 2017 and 31 December 2016.

	30 June 2017 (Un-audited)			
	Level 1	Level 2	Level 3	Total
	AED'000	AED'000	AED'000	AED'000
Financial assets at fair value through other comprehensive income				
- Equities	329,715	-	47,372	377,087
- Managed funds	-	264,640	170	264,810
- Investment in sukuk	207,049	-	-	207,049
Total	536,764	264,640	47,542	848,946
	31 December 2016 (Audited)			
	Level 1	Level 2	Level 3	Total
	AED'000	AED'000	AED'000	AED'000
Financial assets at fair value through other comprehensive income				
- Equities	317,585	-	47,382	364,967
- Managed funds	-	265,980	1,021	267,001
- Investment in sukuk	204,680	-	-	204,680
Total	522,265	265,980	48,403	836,648

There are no transfers between Level 1 and Level 2 during the period.

Dubai Financial Market P.J.S.C. (DFM)

Notes to the condensed consolidated interim financial information for the six month period ended 30 June 2017 (continued)

21 Fair value of financial instruments (continued)

Reconciliation of Level 3 fair value measurements of financial assets

	Measured at FVTOCI	
	Unquoted equities	
	30 June 2017 AED'000	31 December 2016 AED'000
Opening balance	48,403	51,708
Unrealised losses	(861)	(3,305)
Closing balance	47,542	48,403

The fair value of the following financial assets and liabilities approximate their carrying amount: Investment deposits, accrued income on investment deposits, accrued trading commission fees, due from brokers, other receivables, brokers' retention, due to U.A.E Securities and Commodities Authority, dividends payable on behalf of companies listed on the DFM, Investor cards, members' margin deposits and accrued expenses and other payables.

During the six month period ended 30 June 2017, the Company acquired an investment in sukuk (note 8) which is measured at amortised cost in the condensed consolidated interim statement of financial position. The following table summarises the amortized cost and fair value of the sukuk at 30 June 2017:

	Carrying amount AED'000	Fair value AED'000
Investment at amortised cost		
Investment in sukuk	94,730	95,921

22 Approval of the condensed consolidated interim financial information

The condensed consolidated interim financial information for the six month period ended 30 June 2017 have been approved by the Board of Directors and authorized for issue on 24 July 2017.